

Message Text

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ACTION NEA-10

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USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L KABUL 4222

EO 11652: GDS

TAGS: BEXP, BMEP, AF

SUBJECT: KANDAHAR TEXTILES

REF: A) KABUL 4018 (NOTAL); B) KABUL 3451 (NOTAL)

1. SUMMARY. EVALUATION OF BIDS FOR KANDAHAR TEXTILE FACTORY PROCEEDING WITH TOUFIQI HEADING EVALUATION TEAM. EVALUATION TEAM RECOMMENDATIONS TO BE REVIEWED BY CABINET JULY 1 AND WINNER WILL BE ANNOUNCED TEN DAYS LATER. TOUFIQI SAYS LEADING CONTENDERS ARE AMATEX, JAPANESE FIRM KANEMATSU-GOSHO AND TURNER/HLK. TURNER/HLK BID QUOTES TEXTILE MACHINERY FROM PRC SOURCES. END SUMMARY.

2. BIDS ON KANDAHAR TEXTILE FACTORY WERE OPENED JUNE 21 AS SCHEDULED AND TECHNICAL/ECONOMIC EVALUATION OF BIDS HAS PROCEEDED AT MIN/PLANNING UNDER ENGINEER TOUFIQI. TOUFIQI TOLD AMATEX PRESIDENT BALLARD THAT PROPOSALS WILL BE PRESENTED TO CABINET JULY 1 AND ANNOUNCEMENT OF WINNER WILL BE MADE ABOUT JULY 10. TOUFIQI SAYS COMETITION HAS NARROWED TO THREE FIRMS- AMATEX, TURNER/HLK AND KANEMATSU-GOSHO.

3. ECONOFFS PAST WEEK HAVE HAD FREQUENT DISCUSSIONS WITH BALLARD AND WITH REAVES OF TURNER (EAST ASIA) LTD OF HONG KONG AND LEE OF HLK SERVICES, LTD, HONG KONG, TURNER'S GGARTNER IN VENTURE.

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4. BECAUSE AMATEX PROPOSAL 100 PERCENT US PRODUCT, POST HAS MADE MAJOR EFFORT TO ASSIST BALLARD. EFFORTS INCLUDED INFORMAL DEMARCHE TO DEPFONMIN BY AMBASSADOR MAY 28 (REF B) AND PAST WEEK ARRANGING APPOINTMENTS FOR BALLARD AND A/DCM WITH MINCOMMERCE AND MIN MINES AND INDUSTRIES. OUR SUPPORT FOR TURNER/HLK REPS LESS ZEALOUS, IN LIGHT THEIR "INTERNATIONAL" PACKAGE, BUT NOT INSIGNIFICANT.

5. THERE HAS BEEN SOME MYSTERY ABOUT TURNER/HLK BID IN TERMS OF SOURCE OF EQUIPMENT. REAVES AND LEE WERE UNCOMMUNICATIVE TO EMBOFF'S QUESTIONS THIS REGARD AND BALLARD (WHO TALKED TO TURNER/HLK REPS DAILY AT HOTEL) NEVER GOT STRAIGHT JCWER ON EQUIPMENT SOURCE. HE ASSUMED TAIWAN OR JAPANESE SOURCES.

6. IN MEETING JUNE 28 BETWEEN TOUFIQI, BALLARD AND TWO AMATEX MEMBER COMPANY REPS, TOUFIQI SAID TURNER/HLK BID QUOTES EQUIPMENT OF PRC MANUFACTURE. AMATEX DEJECTED AND UPSET FOR TWO REASONS. FIRST, THEY SAY THAT THEY CANNOT COMPETE WITH PRICE OF CHINESE EQUIPMENT. (FYI: BAGRAMI TEXTILE OF KABUL IS 100 PERCENT CHINESE PLANT IN OPERATION TEN YEARS AND GOA SATISFIED WITH PERFORMANCE CHINESE EQUIPMENT. SMALL QUANTITIES FINISHED TEXTILES FROM THIS PLANT ARE EXPORTED TO U.S. END FYI). SECOND, THEY ARE APPALLED THAT US FIRM IS INCORPORATING PRC EQUIPMENT IN PACKAGE AND ASK POST TO CHECK FOR POSSIBLE US LEGAL SANTIONS AGAINST THIS PRACTICE.

7. ADCM AND ECONOFF ADVISED AMATEX WE KNOW OF NO SUCH SANCTIONS. WE SEEK DEPARTMENT AND USDOC ADVICE ON THIS MATTER.

8. BALLARD LEFT KABUL JUNE 29 FOR BEIRUT WHERE HE PLANNED TO PHONE HOME OFFICE GREENVILLE WITH PROGRESS REPORT. WHILE AMATEX STILL VERY MUCH A CONTENDER FOR PROJECT, BALLARD FEARS LOW PRICE TAG OF TURNER/HLK/PRC PACKAGE WILL SWAY GOA.

9. VISITING ROCKWELL/DRAPER REP CALVO FEELS TURNER/HLK ACTION "UN-AMERICAN- AND HE DETERMINED TO HAVE ROCKWELL WASHINGTON CONFIDENTIAL

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OFFICE QUERY USDOC AND STATE ABOUT SITUATION. CALVO ALSO READY TO PROTEST TO PULLMAN,NAS ASSOCIATE OF HLK, ABOUT ETHICS OF DEAL.

10. WHILE WE AT POST NOT SO EMOTIONAL ABOUT TURNER/HLJD PRACTICES, WE STILL ROOTING FOR AMATEX AND IMPRESSED THEIR CONSCIENTIOUS EFFORTS ON THIS PROJECT. FOREGOING IS INFORMATION WE THOUGHT WOULD BE USEFUL BACKGROUND FOR ACTION

ADDRESSEES IN RESPONSE TO QUESTIONS FROM PARTIES INVOLVED.

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